



COVER SHEET

Ryan, Christine (1999) AUSTRALIAN PUBLIC SECTOR FINANCIAL
REPORTING: A CASE OF COOPERATIVE POLICY FORMULATION .
Accounting, Auditing and Accountability Journal 12(5):pp. 561-582

Copyright 1999 Emerald

Accessed from: <https://eprints.qut.edu.au/secure/00003603/01/POLCOM.final.doc>

Professor Lee D. Parker,
Joint Editor,
Accounting Auditing & Accountability,
School of Commerce,
University of Adelaide
North Terrace
ADELAIDE. SA 5000

10 February, 1999

Dear Lee,

I enclose 3 copies of my revised paper *Australian Public Sector Financial Reporting: a Case of Cooperative Policy Formulation*, the paper on disk and the Journal Article Record form.

In addition, I include comments on how the revisions have met with the referees suggestions. I thank you for the opportunity to publish my paper.

I look forward to seeing you in the future, perhaps at the National Accountants Public Sector Conference in April in Adelaide, which I will be attending.

Yours sincerely

Dr Christine Ryan

REPLIES TO REFEREEES COMMENTS/ Paper P29/97
AUTHORS RESPONSE TO THE FINAL REVIEWERS COMMENTS

I agree entirely with your observations on both points.

- 1. I have taken out the full questionnaire and all references to it.**
- 2. I agree with your comments on the conclusions to my paper. Accordingly, I have modified the abstract, and the conclusion. I have deleted the previous statement about the 'contest', and now contextualise my conclusions and have added the need to map the power relationships over time. On rereading my conclusion, I also had problems with the 'boldness' of the statement, and indeed it did not follow from my evidence.**

Thank you for pursuing this paper with me, I have learnt a lot about the research process through the revisions.

AUSTRALIAN PUBLIC SECTOR FINANCIAL REPORTING: A CASE OF COOPERATIVE POLICY FORMULATION

Please address all correspondence to:
Dr Christine Ryan
Senior Lecturer
School of Accountancy
Queensland University of Technology,
BRISBANE.

Phone: (07) 3864 4320
Email: cm.ryan@qut.edu.au

The author wishes to acknowledge the helpful suggestions of the participants at the Public Sector Transformation Workshop held at Macquarie University in April, 1997, and the participants of the QUT School of Accountancy workshop, on an earlier draft of this paper.

AUSTRALIAN PUBLIC SECTOR FINANCIAL REPORTING: A CASE OF COOPERATIVE POLICY FORMULATION

ABSTRACT

In the past two decades, the public sector both in Australia and overseas has undergone a period of intense change. The focus has been on efficiency, effectiveness and value for money of public sector operations. The methods by which governments account and report on their operations has received scrutiny. While Treasuries and Departments of Finance in each Australian jurisdiction have traditionally formulated the reporting and accounting rules used in the public sector, since 1983, with the formation of the Public Sector Accounting Standards Board (PSASB), the accounting profession has become involved in the setting of accounting standards for the public sector. Several researchers have suggested that a 'contest' exists between the accounting profession and the government regulators for control over the public sector accounting standards process. This paper explores the processes whereby the public sector in Australia formulates its financial reporting policies by examining the interactions between the PSASB and the government regulators in each of the Australian jurisdictions. Policy community and policy network theory are used to argue that policy is formulated by a 'cooperative' grouping of accounting professionals from the central agencies of Treasuries and Departments of Finance and the PSASB. The paper concludes that this method of policy formulation has implications for the content of policy and for the access of stakeholders to the formulation of that policy.

KEYWORDS: Policy formulation; Australia; Public Sector Accounting Standards Board; public sector financial reporting; Departments of Finance; Treasuries

AUSTRALIAN PUBLIC SECTOR FINANCIAL REPORTING: A CASE OF COOPERATIVE POLICY FORMULATION

INTRODUCTION

Each jurisdiction in the Australian public sector¹ has a long history of codified accounting practices and standards formulated by a variety of public sector bodies (such as Treasuries and Departments of Finance, Public Accounts Committees and Audit Offices) (Guthrie 1990:239). Governments in each Australian jurisdiction, through their Treasuries and Departments of Finance, have control over the rules used by their agencies in the preparation and reporting of financial results. Further, since 1983 the Australian accounting profession has become involved in the formulation of financial reporting standards through the Public Sector Accounting Standards Board (PSASB). The PSASB issued accounting standards *AAS27 Financial Reporting by Local Governments* in 1990, *AAS29 Financial Reporting by Government Departments* in 1993, and *AAS31 Financial Reporting by Governments* in 1996. The fundamental change required by these professional standards is for governments to move from their traditional cash basis of reporting promoted by economists and determined by the International Monetary Fund's Government Finance Statistics (GFS) model and the United Nation's System of National Accounts (SNA), to an accrual basis. There appears to be an almost universal adoption of accrual reporting by government departments and governments (Micallef 1997:50). However, in spite of the magnitude of the change to accrual reporting, there has been little research into these change processes in the public sector. The sets of conditions, the specific events, the methods and strategies used by adherents to promote this change have been documented elsewhere (for example, see Ryan 1998). The focus of this paper is to examine the **processes** whereby the public sector in Australia formulates its financial reporting policies for government departments and governments.

One of the issues raised in the public sector accounting literature is the 'contest' between the accounting profession regulators (PSASB) and public sector regulators (Treasuries and Departments of Finance), for control of the policy formulation (policy making) process. The interaction between these two regulatory bodies has received brief attention from Guthrie (1990), Walker (1989) and Parker (1993). Guthrie (1990:243) calls for research that "would map the patterns and differences [in interactions] over time...the contest goes on for control over certain issues, knowledge and expertise". Walker (1989:11) has argued that the Australian Accounting Research Foundation (AARF) through its PSASB has "control" over the public sector accounting standard setting process and may be too ready to promote common public sector and private sector standards. Parker (1993:154) has also acknowledged the "battle" between the accounting profession and the public sector regulators for "control" over the financial reporting agenda. The objective of this paper is to examine the role of interested parties to the standard setting process, in particular, this interaction between the accounting profession and the government regulators. As such, the focus is on *how* governments formulate financial reporting policy, particularly since the formation of the PSASB. The paper uses a policy network framework to analyse relations between government and non-government actors in formulating public sector financial reporting policy in Australia. The insights from this analysis enable conclusions to be drawn about the standard setting process as it operates in the public sector in Australia, and point to areas for further research.

INSIGHTS FROM PRIOR LITERATURE

The processes surrounding the setting of accounting standards has been the subject of considerable discussion in the private sector for half a century. Standard setting studies in the private sector have been criticised for their concentration on the interactions between respondents to draft accounting standards and the profession based standard setting bodies (Booth and Cocks 1990; Walker and Robinson 1993). Not only do such studies fail to place the process of accounting standard setting in a "wider institutional and social context" (Booth and Cocks 1990:512), they have implicit assumptions of pluralist interests in the standard setting process, and they fail to recognise the interactions between profession-based standard setting bodies and the government regulators (Walker and Robinson 1993). In the public sector where government regulators have control of the content of reporting policies, an examination of the interactions between government regulators and the profession based standard setting bodies seems to be a matter which has the potential to impact on the content of such policies.

Other accounting researchers have concentrated on the institutional arrangements that regulate the accounting profession and its work. There is an increasing number of 'critical research' studies (Willmott 1986), which examine the relations between the state and the accountancy profession. These studies use the macro theories of Marx (neo-corporatist analysis) or Weber (neo-pluralist analysis) to provide theoretical frameworks for the analysis conducted.² Some studies concentrate on the formation of professional associations (for example, Chua and Sinclair 1994, Chua and Poullaos 1993, Willmott 1986, Walker 1995, Walker and Shackleton 1995). A fewer number of 'critical' studies have examined the dynamics of accounting regulation and the 'state/profession' dynamic, by turning their attention to the formulation of policy relating to particular issues (for example, Willmott *et al.* 1992; Burchell *et al.* 1985). However, one of the

fundamental difficulties with the existing theoretical models used is with the conceptualisation of interests (Chua and Poullaos 1993). Researchers have retreated from 'ideal-type' models which predetermine interests, and argued for the need to 'follow' particular events (for example Chua and Poullaos 1993) in an effort to capture the 'flavour' of individual situations. In essence, the problem identified by these accounting researchers is the difficulty in transversing from the macro level of analysis to the meso (middle) or micro level.

This problem of the marrying of different levels of analysis with theories of interests has also been a challenge to political scientists. Traditional theoretical perspectives of corporatism and pluralism regarded interest groups as organisations separate from government, who attempted to influence public policy. However, both perspectives were perceived to have limitations. First, they failed to recognise the variety of arrangements by which policy is formulated. Second, the state was viewed as a holistic actor, thus failing to explain *variation* in policy formulation across different policy *sectors* (Atkinson and Coleman 1992:154-155). Third, it was argued that, as society becomes more complex and technical, it is logical that outside groups would participate in the policy-making processes of government (Atkinson and Coleman 1992). Thus, it seems that these problems with the macro theories of corporatism and pluralism, and their translation into the analysis of particular policy situations has been highlighted by both accounting researchers and political scientists. Researchers in both disciplines have highlighted the advantages of using middle-level theories as a framework for analysis (Laughlin 1995; Coleman and Skogstad 1990).

It is in this context that the concepts of 'policy community' and 'policy network' have received growing attention by political scientists as a tool for analysing relations between government and

non-government actors in formulating *public policy*. Where policy network studies differ from pluralist and corporatist analyses is in shifting the focus of attention away from both the 'macro' (or national) level of policy making and 'micro' level studies (on individual organisations or small groups), to the 'meso'/middle (or sectoral) level (Rhodes 1990:286). Policy network scholars argue for the use of middle level theory, believing it is not sensible to work toward a single model of policy formulation because of the range of complex state/society relationships in different policy sectors (Atkinson and Coleman 1992:156). The most prominent studies of policy networks have tended to focus on explaining relations between state and society actors in particular industry sectors (see for example Wilks and Wright 1987; Atkinson and Coleman 1989; Coleman and Skogstad 1990). Research both overseas and in Australia has demonstrated the usefulness of the policy network approach (for example see Homeshaw 1995 for an explanation of the development of science policy in Australia, and Coleman and Skogstad 1990 for accounts of banking policy, farm policy, forestry policy and health policy in Canada). It is with this background that the policy network framework is explored as a useful analytical framework for examining the formulation of public sector financial reporting policy in Australia.

POLICY NETWORK FRAMEWORK

The early work of researchers such as Heclo (1978) and Richardson and Jordan (1979), asserted that policy was made by the interaction between government actors, particularly bureaucratic actors, and groups of actors outside the government. These early writers used the term 'issue community'. Today, the terms 'policy community' and 'policy network' have gained wide acceptance. The commonly accepted view is that the term 'policy community' refers to the *actors* who share a common identity or interest and 'policy network' refers to the *relationships* that bind the actors (Wilks and Wright 1987; Coleman and Skogstad 1990; Atkinson and

Coleman 1992).

A 'policy community' consists of all actors or potential actors who share a common "policy focus", whether they have a direct or indirect interest in a policy area, and who, with varying degrees of influence shape policy outcomes over the long run (Coleman and Skogstad 1990:25). The total population of the community extends to Parliament and its committees, political parties and the media, as well as the bureaucrats in government and groups outside the public sector (Wright 1988). In recognition of the differing role that various actors play in the community, some writers, for example Pross (1986) and Kingdon (1984), divide policy communities into groups. Kingdon (1984), describes the two groups as the '*visible cluster*' and '*hidden cluster*'. This division and these terms is useful for analytical purposes and will be used in this paper.

The *visible cluster* is the group of actors who operate to affect political decision makers. They have the ability to "receive a lot of press and public attention" (Kingdon 1984:72). The visible cluster is not a tightly knit group but still plays a vital role in the policy process. They contribute to the gradual process through which policies and programs are expressed, amended, extended and adapted by maintaining "a perpetual policy-review process". Their greatest influence is on long-range policy. They do not contribute to detailed policy formulation as they do not have the day-to-day access to the key policy agency in the hidden cluster and therefore this limits their influence (Pross 1986:152). In the Australian context, Parliament and its legislative and oversight bodies, credit rating agencies and audit commissions form the '*visible cluster*' which operates to shape the long term policy direction.

On the other hand, the *hidden cluster* is the group of institutional actors which forms the core of

each policy community and is the *policy-making* body in the field. These actors operate more from behind the scenes and with less direct public accountability than the visible cluster. The hidden cluster consists of state agencies and institutionalised interest groups (Pross 1986:99).³ The state agency, or lead agency (Pross 1986:137) sits at the centre of the policy community. The lead agency (or agencies) usually possess a monopoly of technical capacity within the public sector relating to a specific policy field, and thus, often dominates policy advice to the executive (Pross 1986:137). Institutionalised interest groups also form part of the *hidden cluster*. Securing a recognised position in the hidden cluster is the major priority for any outside group seeking to influence policy (Pross 1986:145). Admission to the circle in the hidden cluster is recognition of the policy capacity of the interest group and gives the ability to include or exclude certain issues on the policy agenda. Only institutionalised agencies with substantial resources can manage the day-to-day communication with the key government agency; the invitations to comment on draft policy; and the invitations to sit on advisory committees that being a member of the hidden cluster entails (Pross 1986:98; Bell 1992:109). Using this analysis, in the Australian public sector, the lead agency for financial reporting in each of the Australian jurisdictions, is the central agencies of Treasuries and Departments of Finance. Further, within each of these agencies, there are accounting policy units--sections, branches or departments of the central agency in which trained accountants formulate and coordinate financial reporting policy for public sector agencies (Ryan forthcoming). Hence, these units are the key lead agencies in the financial reporting domain. The main interest group concerned with financial reporting policy formulation is the PSASB.

While 'policy community' describes the actors with an interest in policy formulation, the term 'policy network' refers to the links between members of one policy community or the links

between different policy communities, that is, the relationships among the actors and the patterns of interaction that surround an issue (Wilks and Wright 1987; Bell 1992; Coleman and Skogstad 1990:26). *Not all policy communities form policy networks.* Relationships between members may be so unstructured that no stable network of resources dependencies is discernible. Policy communities will only generate policy networks if there are issues and problems which provide the occasion for this to happen, and if there is a structured and stable network of resource dependencies between the actors in the policy community (Wright 1988:606).

The policy network concept implies that both the bureaucracy and interest groups are "allies" and "partners" in the policy process (Hughes 1994:223-224; Wright 1988:604). There is an "active partnership" where both parties need each other, and both parties influence, and are influenced by each other (Hughes 1994:232; Coleman and Skogstad 1990:313). Although a policy network maps the relationships between the various actors in the hidden cluster, and indicates the broad framework of interdependency within which policy is formulated, it does not imply that the contribution of each of the groups to policy formulation is equal. Further, it does not mean the end of disagreements between the groups. Conflicts may arise frequently over particular policy proposals (Wright 1988:598). As Grant (1989:31) has stated, the relationships between the groups in the hidden cluster are "sometimes in conflict, often in agreement, but always in touch and operating within a shared framework".

Policy networks can be identified and characterised along a number of dimensions: membership itself; the interests of members; the extent of interdependence between members; and the isolation of the network from other networks (Wright 1988:607). Networks can be classified according to their level of integration. A 'highly integrated' network is characterised by resource

dependencies; a stability and restriction of membership; and an inter-dependence between members who share responsibility for both initiating policy and for policy formulation (Wright 1988:607).

In summary, the policy community and policy network concepts provide a framework to analyse the actual dynamics of relations between the PSASB and the accounting policy units of the Treasuries and Departments of Finance. However, while the literature gives some broad characteristics of these arrangements, the exact character of policy communities and the network which binds them, and the implications for policy content, can only be settled by empirical examination (Considine 1994:127; Wright 1988:595). It is the identification of the type of policy network that surrounds Australian public sector financial reporting for government departments and governments that is the focus of this article.

METHODOLOGICAL GUIDELINES

Studies of the processes of policy formulation favour particular methodologies. Explanations are being sought for 'what' happened, 'how' events happened, and 'why' certain policies were made.

An examination of documentary evidence, both published and unpublished, is useful because it tends to describe 'what' happened and to give some indications as to 'how' events happened. In addition, the technique of 'elite interviewing' (interviews of key persons in the policy community) has been found useful by policy network scholars (Coleman and Skogstad 1990:2), to supplement historical data, and give further insights into 'how' and 'why' certain policies were made.

The documentary evidence used in this study comprises published reports of inter-governmental

working parties, reports of audit commissions, and unpublished records and minutes of proceedings of the Standing Treasury Liaison Committee from 1992 to 1994. Interviews of key actors in the Australian public sector financial reporting policy community were conducted between December 1992 and June 1993. The twenty-five interviewees were targeted and preselected because they held senior positions in government and the profession, and were considered as being active players in promoting changes to financial reporting policies in government.⁴ In general, the selection of interviewees was influenced by their being identified as a member who had enough influence to shape policy outcomes over the long run. Four groups were identified as being influential; Auditors-General,⁵ accounting policy officers,⁶ chairs of PSASB,⁷ representatives from the Australian Accounting Research Foundation (AARF).⁸

Table I summarises the interviews undertaken.

TABLE I HERE

Interview participants represented all States,⁹ the Northern Territory and the Commonwealth of Australia. To maintain the anonymity of interviewees they are not cited by name in the text of the paper.

The validity of the data sources warrants consideration. The documentary evidence is a permanent record made by committees. As such, it needs no further verification, and can be interpreted accordingly. However, it often records 'what' happened, but not 'why', and 'how'. To penetrate this dimension, interviews are useful. The advantage of using interview material is to "supplement and clarify the written record or provide a record where no written record exists"

(Collins and Bloom 1991:23). The main problem in using interviews is that the respondent can fail to report fully and there may be interviewer error. To attempt to overcome this possible bias, the interview material in this study is used in two ways. First, it reinforces perspectives from other sources, that is, it rounds out the narrative (Weller 1989:xvi). Second, it gives access to material not recorded. This is of special significance where policy formulation occurs in a relatively small 'hidden cluster' of actors. Interview material is used to obtain a perspective of different *groups of actors*. Thus, as Weller (1989:xvi), comments, as "more and more people provide a similar picture, as instances or impressions are checked against each other and against the official record, so they may be regarded as more reliable and accurate".

A POLICY NETWORK SURROUNDING FINANCIAL REPORTING

The theoretical literature on policy networks argues that networks can be classified according to their structural characteristics. Wright (1988:607), argues that a 'highly integrated' network is characterised by resource dependencies; an inter-dependence between members who share responsibility for both initiating policy and for policy formulation; and a stability and restriction of membership. These three characteristics will be used to analyse whether a policy network exists in the case of financial reporting in Australia.

Resource dependencies

By the early 1990s most jurisdictions were applying 'managerialist' techniques.¹⁰ Governments in all jurisdictions were placing an emphasis on the efficiency and effectiveness of operations and the measurement of costs of operations. Accrual techniques were promoted for use at the agency and whole of government levels (Shand 1990). However, as Walker (1988:80) argues, the introduction of these techniques was not as simple as the rhetoric seemed to indicate. Public

sector accounting standards were piecemeal, lacked widespread support and were not enforceable. Faced with this situation, the Treasuries could have produced their own 'rules', or turned to the accounting profession for their support. The changes occurring in the public sector during the 1980s and 1990s meant that it may have been in the interests of the accounting policy officers in the Treasuries and Departments of Finance to promote professionally derived rules. An analysis of the unstructured responses to the interview question 'Comment on what you believe is the ideal mechanism (the most efficient and effective way) for setting accounting standards for the public sector', revealed that each accounting policy officer believed accounting standards should be set outside the public sector.

Four reasons have been advanced in the literature, and reinforced in the interviews, as to why actors in the public sector might look outside their own ranks for cooperation in policy formulation. First, some writers argue that individual groups of actors in the public sector favour identification with a professional group because of the professional enhancement it brings to their positions. Cochrane (1993:34) argues that professionals derive an "important source of power" from this identification. As one accounting policy officer (interview 1993) noted:

There is a belief among accounting policy people that we should have national standards, they want that professional aspect.

Further evidence in support of this reason came from another accounting policy officer (interview 1993) who noted:

Bureaucrats want to be professional...they are pushing their profession of financial accounting forward to get out from underneath other layers of professions who have always controlled them and limited what they could do.

Second, others argue that the profession is the more appropriate place to set professional standards, as these standards are then less likely to be open to 'political manipulation'. It is

argued that the use of groups outside the public sector to formulate policy adds a “credibility” to policy (Vict. Com. 1993:195). As one accounting policy (interview 1993) noted "we are trying to keep the politicians honest". Another suggested:

If we are going to attract professional people into Treasuries, we have to be able to say that your work, the way you measure something, is going to be based on a professional standard and must not be subject to political direction...it is too easy for Treasuries to become instruments of politics.

Third, others argue that if policies are formulated outside the public sector, this assists central agencies in their task of ‘selling’ the policy to line agencies. As Hughes (1994:226) notes, “outside interest groups are a decided asset, so much so that they will be encouraged by the bureaucracy to assist it in its struggle with other agencies”. The views of Treasury personnel were summed up by one accounting policy officer (interview 1993) who stated:

there are some benefits if standards come out of the profession...we can argue we have no vested interest in the outcome when selling it to departments,

and an AARF representative (interview 1993) who stated:

The Treasuries are looking for rules, and those rules they have to pass on to their constituents and they are far more palatable if the rules come from an outside body...so you have got the resources issue plus the independence issue, and so they prefer the PSASB to do it [develop accounting standards].

The fourth reason advanced is that with the increasing complexity of policy domains, it is more efficient and often cheaper, if groups interested in policy formulation cooperate in the process (Wilson 1992:81). It is further contended that in a complex technical area, it is a logical development for a dependency to form between those actors in a particular policy domain who are in frequent contact (Atkinson and Coleman 1992:157; Pross 1986:132; Grant 1989:31). As one accounting policy officer (interview 1993) noted:

[the PSASB] does good long term research. We don't have the time to do that because

we are more practically oriented.

Another accounting policy officer (interview 1993) commented:

we [the Treasuries] have got enough to do, and we prefer someone else to do it...the issue of duplication of resources is relevant.

The central agencies recognised the resources (both in terms of time and money) needed to formulate policy in this new and technically complex area. In summary, accountants in the accounting policy units saw advantages in the formulation of accounting standards by a body outside the public sector. With these motivations the public sector commenced funding the PSASB (Chair PSASB interview, 1993). Public sector funding of the PSASB was only meant to be temporary and was aimed at expediting work in order to get a standard on departments. The arrangement was for funding to be provided for an initial three year term (from the beginning of 1990 to the end of 1992), although all jurisdictions have continued to fund the PSASB beyond this first triennium (W P on Merger 1992:35; Accounting policy officers interviews 1993).¹¹

Public sector funding represented approximately 25% of the total PSASB funding in the 1990-92 triennium (W P on Merger 1992:31). The stated aim of this funding was to allow the PSASB to devote more resources to public sector work. Included in the output of the PSASB to 1996 was the production of six specific public sector policy documents. Three concerned Reporting by Government Departments: *Discussion Paper No. 16* (Sutcliffe *et al.* 1991) produced in April 1991; *Exposure Draft 55* (AARF 1992) produced in January 1992 and *AAS29* (AARF 1993) produced in December 1993. Three concerned Reporting by Governments: *Discussion Paper No. 21* (Micallef *et al.* 1994), *Exposure Draft 62* (AARF 1995) produced in March 1995 and *AAS31* (AARF 1996) produced in November 1996.

While it is difficult to attribute specific output to the funding by the public sector, the crucial effect is that funding provided resource dependencies between the two policy formulation bodies, and this had the effect of facilitating closer cooperation between the bodies. Table II summarises the opinions of the accounting policy officers (APO) as to the effect of funding arrangements for the PSASB.¹²

TABLE II HERE

Table II indicates that 87.5% of the accounting policy officers felt that at least one of the outcomes of funding was that it brought them into the process of standard setting. As one accounting policy officer (interview 1993), noted "funding changed the whole nature of the game. Treasuries became part of the process." Another commented "it has helped people to get together and establish a network".

This data provides some evidence of the network being created between the PSASB and the central agencies through resource dependencies. There are, though, other indicators. As Wright (1988:607) has indicated, a 'highly integrated' network is characterised by an interdependence between members who share responsibility for both initiating policy and for policy formulation'.

Inter-dependence between members for policy formulation

There are two pieces of evidence for the interdependence between the PSASB and the accounting policy officers on policy formulation: first, the development of the PSASB work program; and second, collaboration on policy issues. The first way in which the central agencies were brought into the policy formulation process was through having a direct input into the work

program of the PSASB. From 1989 yearly meetings were held between the PSASB and the accountants from the accounting policy units. The work program of the PSASB was discussed. Opinions as to the source of the work program of the PSASB can be seen in Table III.¹³ The data in Table III indicates that the majority of respondents felt that the work program of the PSASB was the result of a consultative process and that the accounting policy officers had a direct input into the agenda of the Board. The large undecided response rate by the auditors-general is explained by the fact that these respondents claimed they could not answer the question because they were not close enough to the process. This indicates that as a *group*, auditors-general are not involved in detailed policy formulation, and operate far more as 'external' political review agents and as members of the 'visible cluster'. This reinforces the next theoretical tenet to be discussed, that the formation of a policy network implies a closed form of policy-making, effectively isolating groups external to the network (Wright 1988:608). Further evidence of the influence of accounting policy officers on the PSASB's work program is obtained by examining one of the PSASB's projects, namely, financial reporting by governments. At the November 1991 joint meeting between the PSASB and the accounting policy officers, this project was given a relatively low priority (PSASB progress report 1991). However, during 1992, accountants in the policy units subsequently became aware of the ramifications that definitions contained in the *Exposure Draft 55 Financial Reporting by Government Departments*, would have on policy documents on Reporting by Governments. Thus, at the 1992 joint meeting between the PSASB and accounting policy officers, the policy officers suggested that the priority of the reporting by government project be elevated. It received top priority on the PSASB work program for 1993 (PSASB Progress Report 1993; Chair PSASB interview).

The second piece of evidence for the interdependence between the PSASB and the accounting

policy officers comes from their collaboration on policy issues. While the *individual* accounting policy officers from the various jurisdictions had previously supplied technical input on both the *Discussion Paper No. 16 Financial Reporting by Government Departments*, and the resultant exposure draft (ED 55), this input had not been given in a coordinated manner as there was no formal mechanism existing *between the accounting policy officers* in the individual jurisdictions. The formation of the Standing Treasuries Liaison Committee (STLC)¹⁴ in October 1992 provided this coordination mechanism and an opportunity for the PSASB to obtain joint feedback from all jurisdictions on the contents of their policies. It was agreed that the penultimate draft of the standard on *Reporting by Government Departments* would be forwarded to the STLC for review and comment. This draft was circulated at the February 1993 meeting of the STLC. The AARF was keen to issue a final standard and pressed the STLC for comments to facilitate an April 30 issue of the standard. However, the STLC had other items that needed to be attended to for the Heads of Treasuries, and did not get to discuss *Exposure Draft 55*. However, the STLC brought its August meeting forward to 27 July 1993 in order to consider ED55. After further adjustment, the final standard was issued in December 1993.

A similar collaboration on policy formulation can be observed in relation to the Reporting by Governments project. The network formed between the PSASB and the STLC meant that the STLC was able to be used in a *more systematic manner* than had been possible with the government department project. The STLC's input was obtained from the outset on this project. The members of the STLC at the time acted as the Project Advisory Panel for the Discussion Paper. Indeed, the authors of the Discussion Paper were keen to obtain the 'consensus views' of the STLC before issuing the Discussion Paper (STLC Minutes 1993). Further, at all stages in the writing of the Exposure Draft, the AARF worked closely with the STLC (STLC minutes 1994).

The PSASB released *Exposure Draft 62* (AARF 1995), in March 1995 and the comment period ended in June 1995. A standard was due to be issued in December 1995. However, the Heads of Treasuries requested the PSASB to delay the issuance of the standard for six months while some trial statements were prepared by certain jurisdictions (Micallef 1997:50).

These processes surrounding the formulation of accounting standards reveal the interdependence, the mutual dependency, though not total agreement, between the STLC and the PSASB. The PSASB realises the importance of obtaining the central agencies' support for public sector standards and has shown a willingness to compromise on possible problems with standards. For its part, the STLC, as representative of the accounting policy arm of the Treasuries and Departments of Finance has become a vital part of the policy formulation process of the PSASB. Moreover, while the two bodies are co-dependent in a policy sense, institutional structures have been built between these two groups. The chair of the STLC has an observer status on the PSASB and AARF representatives have observer status on the STLC. The STLC and the PSASB had become 'partners' in policy formulation.

While resource dependencies and the inter-dependence between members for policy formulation provide strong evidence that a policy network has formed around accrual reporting, further evidence can be seen from the stability of the membership of the network.

Stability and restriction of membership

There have been a number of advisory committees which have dealt with accounting policy issues; the Industries Commission Subcommittee on National Performance Monitoring of Government Trading Enterprises, the Accrual Accounting Working Party, the STLC, and the

Working Party established to examine the merger of the PSASB with the AASB.¹⁵ An analysis of the personnel of each of the working parties and those who attended the regular meetings between the PSASB and the accountants from the central agencies is contained in Table IV. It indicates that many of the same personnel were involved in these committees. The theoretical literature indicates that one of the characteristics of a policy network is an exclusive and closed membership (Kingdon 1984; Pross 1986; Wright 1988). Table IV indicates that there is predominantly the same personnel attending the majority of these working parties. The significance of this network sustained by the working parties of officials is summed up by one accounting policy officer (interview 1993) who noted:

One thing that has happened is that there has been a closer working relationship with the AARF through the working parties...having the members from AARF has brought us closer to the standard setting process and that has heightened our interest, so the accountants in central agencies can have more influence over the outcomes.

Another accounting policy officer (interview 1993) suggested that:

the closer relationship largely came about because of all of the working parties that have been formed, and because the same people are on them, and we see them all the time, it is easier to ring someone up. A relationship has been built up because of this familiarity...most of us feel it is in our interests to talk to AARF. It is easier now.

While this exclusive and closed group of actors is further indication of the existence of a policy network (Kingdon 1984; Pross 1986; Wright 1988), it also serves to illustrate the closed form of policy formulation. Access to the policy making process is restricted largely to groups inside the policy network. As Shand (1992:2) has observed:

The accounting profession has not been talking sufficiently to those involved in public sector. Likewise, these budgeters have not taken sufficient notice of work being done by the accounting profession on public sector accounting standards.

Moreover, a member of the PSASB (interview 1993), noted the same trend:

[the Board] has been too isolated, we should have been working much more with the ABS, the economists, the budgeting people...mind you, this is very good with hindsight...and very hard to do when you are developing something. You need to be focussed.

In summary, using the characteristics outlined in the theoretical literature, it has been argued that an integrated policy network exists between the accounting policy officers in Treasuries and the PSASB. Further confirmation of a mutually dependent policy network, and of the *evolution* of this policy network can be gained from an examination of comments of the commissions of audit held in the various jurisdictions.

In the first Commission of Audit in NSW in 1988 (NSW Com. 1988), while accounting and financial management issues were one focus, the PSASB received no mention at all. The conclusion could be drawn that, at the time of the report, there were no links between the accountants in the Treasuries and the PSASB. In comparison to the lack of recognition in the NSW report, four years later, the Victorian (1992) and Western Australian (1993) Commission reports relied heavily on the PSASB in the area of accrual reporting.¹⁶ The Victorian Audit Commission (Nicholls 1992), described the reporting framework of the Victorian government as being governed by legislation, convention and:

by accounting standards developed by the Public Sector Accounting Standards Board and, where no PSASB standard exists, by individual standards developed in state Treasuries (Nicholls 1992:85).

Further, this report recommended that the preparation of consolidated financial statements should be in a format consistent with Australian Accounting Standards and Concepts rather than the economic concepts in Government Finance Statistics (GFS) statements (Nicholls 1992:76).

Likewise, the Western Australian Report openly acknowledged the work of the PSASB. It noted (WA Com. 1993:153):

The Public Sector Accounting Standards Board (PSASB), working in conjunction with the States, has made considerable progress in the development of standards for departmental and whole-of-government reporting. A final standard on the financial reporting of agencies is expected to be released within the next few months.

and further, in the event of inconsistency between the Board's recommendations and Treasury policy:

A decision will need to be made in relation to the treatment and accountability of "residual" transactions and this should be consistent with the views of the PSASB when they are released (WA Com. 1993:155).

By 1996 the role of the PSASB in the policy formulation network was uncontested. This is attested by the Queensland Audit Commission's statement (Qld Com.) that the accounting standards presently applying in the public sector are formulated by the PSASB and that the PSASB were willing to review the requirements of the whole of government reporting standard to accommodate problems of Treasury officers (Qld Com. 1996:Vol.1:47).

By 1996, the expertise of the PSASB (and its secretariat AARF) was recognised in the public sector. There was a 'highly integrated' and durable policy network between the accountants in the central agencies of Treasuries and Departments of Finance and the PSASB. Interactions occurred within an institutionalised framework and the two groups were jointly in control of the agenda. They were now financially and structurally linked, and commanded influence in the formulation of policy governing financial reporting in the public sector.

IMPLICATIONS OF THE POLICY NETWORK ANALYSIS

Having argued that a policy network does exist for financial reporting in the Australian

public sector, this section will examine the implications of this: first, for the policy network theory; second, for the theory concerning the state/profession relationships; and third, for the standard setting processes in the Australian public sector.

A policy network analysis has been promoted in the public policy literature as a useful tool for analysing policy formulation in complex, technical areas. It implies that both the bureaucracy and interest groups are “partners” in the policy process (Hughes 1994:223-224). Its usefulness as an analytical model has been demonstrated here in the case of Australian public sector financial reporting. This middle range theory has allowed an analysis of the processes inherent in the formulation of financial reporting policies for government departments and governments in the Australian public sector. Further, the usefulness of the theory goes beyond this paper, because it also contains implications of particular policy formulation processes for policy content and access of stakeholders to policy forums. As such it provides a platform for future research.

The analysis also has implications for the accounting work concerning the state/profession relationships. Previous accounting studies focussing on the state/profession relationships have identified the problem of transversing from the macro theories of neo-corporatism or neo-pluralism to the specifics of individual situations. This means that researchers have retreated from ‘ideal-type’ models which predetermine interests, and conducted research on almost a case by case basis. The policy network framework allowed a ‘middle range’ analysis of the interdependencies between policy actors, and the nature of the public sector financial reporting policy making process in Australia. The advantage of using a network analysis is that it does not predetermine the interests of the parties but provides a means of analysing the

actions of key parties involved at a sufficiently aggregated level to allow key relationships to be identified and examined, while still allowing for the richness and specifics of each case to be explored. As such it caters for the variation that exists in policy formulation across different policy sectors (Atkinson and Coleman 1992: 154-155). It would be a useful analytical device to analyse the dynamics of policy formulation in the accounting standard setting process in other policy settings.

The analysis also has some implications for the Australian public sector accounting standard setting process. The identification of a policy network existing in a particular area, is crucial because the process of policy formulation does have an effect on the content of policies and the access of others outside the network to input to those policies (Davis *et al.* 1992:144-145).

Negotiations over policy content tend to be carried out between institutional actors within a common policy paradigm. The shared language, values, attitudes and beliefs of the policy actors 'shape' policy content and reflect the ideas of those with vested interests (Considine 1994:49,61; Kingdon 1984:126; Wright 1988:609; Jordan 1990:472). Furthermore, the formation of a policy network implies a closed form of policy-making, effectively isolating groups external to the network. Membership of the network is closed and tends to be continuous (Wright 1988:608).

Access to the policy making process is restricted largely to groups inside the policy network.

Policy issues are managed within the network, on the "basis of trust and a respect for confidence", and consultation takes place on an informal basis with an expectation that all parties will be included in the consultation. 'Routine' policy issues are handled within the network, and are "seldom successfully challenged by dissident members of the policy community" (Pross 1986:107). Moreover, not only do other policy networks have little actual knowledge of what is decided within these arrangements, governments and departments themselves who may have to

implement the policies being developed, also have little input to what is being decided. The policy network becomes a "protective device, limiting rather than expanding the opportunities for the public at large to achieve major policy changes" (Pross 1986:107). It follows from this view that those with access to these insular policy forums have a major influence on how policies change over time. Their goal often becomes "to keep policy-making at the routine or technical level, thereby minimizing [political] interference" (Pross 1986:107). Once policy formulation is taken out of the control of the network and resolved at political levels, the policy community and the policy are often vastly altered (Pross 1986:107). These issues can again only be decided by further research. Case studies of the exact policy formulation processes surrounding ED 55 (Reporting by Government Departments) and ED 62 (Reporting by Governments) should be carried out to identify the effect of policy formulation processes on policy content and policy input.

CONCLUSIONS

This study has examined the processes whereby financial reporting policy was initially formulated for government departments and governments in Australia. It was argued that financial reporting policy formulation occurs in policy communities, within the institutionalised relationships between governments, state bureaucracies and organised interest groups. A network has been created between the accounting professionals in central agencies, members of the PSASB and Australian Accounting Research Foundation (AARF) personnel. There is an 'active partnership' where both parties need each other and both parties influence and are influenced by each other. Detailed policy formulation was made by this small tightly knit group. This evidences a major change in the policy formulation processes for financial reporting by public sector agencies in Australia. Financial reporting

policy, once formulated by economists in Treasuries and Departments of Finance, now appears to be set by a coherent grouping of accounting professionals from both the public sector and the accounting profession. However, the dynamics of policy communities change over time, as new issues arise and political circumstances and personalities change. The dynamics between these members of the policy community need to continue to be mapped to determine whether this ‘active partnership’ continues over time, or the power relationships are challenged by emerging issues.

The findings of this research have highlighted the need for future research. Potentially, two main areas exist. First, the approach could be replicated in other policy settings. This paper has used the policy network approach and identified a ‘highly integrated’ network surrounding the formulation of financial reporting for government departments and governments. This theory could be used to identify the policy community which exists in the case of local government; and to establish the type of network which exists, ie whether it is highly integrated or largely unstructured. The second area for research which would prove fruitful concerns the content of the policies being formulated and the access of stakeholders to input on those policies. The policy network theory does provide indications of the implications for policy formed under this approach. Policy formed in networks tends to limit policy agendas, and isolates groups external to the network. In the case of reporting by governments and government departments, while the central agencies of Treasuries and Departments of Finance have had a substantial input into the content of policies, the method of policy formulation may have stifled input from other interested parties to the process, in particular, from those in the agencies implementing these techniques. Given the major changes which have occurred in financial reporting in the public sector, and the lack of *sustained* debate on the effect of the introduction of accrual accounting into the public

sector, future case studies on particular standards (specifically *Exposure Draft 55* and *Exposure Draft 62*), to 'map' the dynamics of the process, and the access of stakeholders would be fruitful and would provide further insights into the policy formulation process.

ENDNOTES

- 1.This is comprised of six states, two territories and one national government.
- 2.Pluralism emphasises the constraints imposed on the state by a wide range of groups and maintains that public policy is a reflection of the preferences of these groups. Under pluralism, no single group has power and public policy results from interest group competition. Corporatism emphasises the constraints imposed on the state by a small range of groups and maintains that public policy is a reflection of the preferences of these groups (Davis *et al.* 1988:25-26).
- 3.Pross (1986:99) also suggests it may include academics and researchers to the extent they are key players.
- 4.Nineteen of the interviews were conducted on a face-to-face basis. The remaining six interviews were conducted by telephone in order to reduce travelling costs.
- 5.In addition to the eight Auditors-General, two jurisdictions had audit policy officers who advised their respective Auditors-General on audit issues.
- 6.Accounting policy officers are professionally trained accountants employed in Treasuries or Departments of Finance who have the responsibility for detailed financial reporting policy formulation. They are the main actors in the lead agency in the financial reporting hidden cluster.
- 7.The four chairpersons from 1983 to 1995 were interviewed.
- 8.Three representatives from AARF; the current Director, the Director at the time the PSASB was formed and the Assistant Director who had been working with the PSASB from 1983 to mid 1993 were interviewed.
- 9.The ACT was not included in the study.
- 10.`Managerialism' has been described as the promotion of private sector methodologies within the public sector to improve efficiencies and effectiveness of public sector operations (Davis *et al.* 1992:43).
- 11.South Australia withdrew funding for the 1993 year.
- 12.These opinions were gained from an analysis of the unstructured responses by the accounting policy officers (APO) to the question `What has been the effect or influence of the funding arrangements for the Board?'.

13.This table was obtained from an analysis of the responses to the question `Is the determination of the work program the result of a consultative process with the Treasuries? SA A U D SD'.

¹⁴ The STLC was formed at the Heads of Treasuries meeting on 17 March, 1992. The STLC

comprised nine members, one member from each jurisdiction and three observers, one from AARF, one from the National Audit Office, and one from the Australian Bureau of Statistics. The chair rotated yearly. The members were the accounting policy officers in each of the jurisdictions. Its aim was to facilitate the interchange of accounting and reporting information, and policy development work between jurisdictions (W P on Acc. Accg. 1992:22).

15.A Working Party to examine a proposal to combine the PSASB and the AASB was convened by the Attorney General in mid 1992. The basis of public sector representation on this Working Party was that the PSASB had one representative and all jurisdictions (with the exception of South Australia and the ACT at their choice) had one representative each (W P on Merger 1992).

16.At the time of the 1992 Victorian Commission, the Victorian Government had already committed itself, in October 1991, to the application of accrual accounting for the budget sector. However, no such commitment had been made by Western Australia (Nicholls 1992:74). The PSASB had produced *Discussion Paper No. 16 Financial Reporting by Government Departments* (in April 1991), and *Exposure Draft 55* (in January 1992).

REFERENCES

AARF 1992, *Exposure Draft 55 Financial Reporting by Government Departments*, Australian Accounting Research Foundation, Melbourne.

AARF 1993, *AAS29 Financial Reporting by Government Departments*, Australian Accounting Research Foundation, Melbourne.

AARF 1995, *Exposure Draft 62 Financial Reporting by Governments*, Australian Accounting Research Foundation, Melbourne.

AARF 1996, *AAS31 Financial Reporting by Governments*, Australian Accounting Research Foundation, Melbourne.

Atkinson, M. & Coleman, W. 1992, 'Policy Networks, Policy Communities and the Problems of Governance', *Governance: An International Journal of Policy and Administration*. Vol. 5, No. 2, pp. 154-180.

Bell, S. 1992, 'Business and Government: Patterns of Interaction and Policy Networks', in *Business-Government Relations in Australia*, eds Stephen Bell & John Wanna, Harcourt Brace Jovanovich, Sydney, pp. 103-111.

Booth, P. & Cocks, N. 1990, 'Critical Research Issues in Accounting Standard Setting', *Journal of Business Finance & Accounting*, Vol. 17(4) pp. 511-528.

Burchell, S., Clubb, C., Hopwood, A. G. 1985, 'Accounting in its Social Context: Towards a History of Value Added in the United Kingdom', *Accounting, Organizations and Society*, Vol. 10, No. 4, pp. 381-413.

Chua, W-F. & Poullaos, C. 1993, 'Rethinking the Professional-State Dynamic: The Case of the Victorian Charter Attempt, 1885-1906', *Accounting, Organizations and Society*, Vol. 18, No. 78, pp. 691-728.

Chua, W-F. & Sinclair, A. 1994, 'Interests and The Profession-State Dynamic: Explaining The Emergence of the Australian Public Sector Accounting Standards Board', *Business Finance and Accounting*, Vol. 21, No. 5, pp. 669-705.

Cochrane, A. 1993, 'From Financial Control to Strategic Management: The Changing Focus of Accountability in British Local Government', *Accounting Auditing and Accountability*, Vol. 6, No. 3, pp. 30-51.

Collins, M. & Bloom, R. 1991, 'The Role of Oral History in Accounting', *Accounting Auditing and Accountability Journal*, Vol. 4, No. 4, pp. 23-31.

Coleman, W. & Skogstad, G. 1990, 'Policy Communities and Policy networks: A Structural Approach' in *Policy Communities and Public Policy in Canada*, eds authors. Toronto: Copp Clark Pitman, pp. 14-33.

- Considine, M. 1994, *Public Policy: A Critical Approach*, Macmillan, Melbourne.
- Davis, G., Wanna, J., Warhurst, J. & Weller, P. 1988, *Public Policy in Australia*, First Edition, Allen & Unwin Australia Pty Ltd, North Sydney.
- Davis G., Wanna J., Warhurst J. & Weller, P. 1992, *Public Policy in Australia*, Second Edition, Allen & Unwin Australia Pty Ltd, North Sydney.
- Grant, W. 1989, *Pressure Groups, Politics and Democracy in Britain*, Philip Allan, London.
- Guthrie, J. 1990, 'Current Developments in Public Sector Accounting and Auditing Standard Setting in Australia', in *The Public Sector: Contemporary Readings in Accounting and Auditing*, eds James Guthrie, Lee Parker and David Shand, Harcourt, Brace, Jovanovich, Sydney, pp. 238-244.
- Heclo, H. 1978, 'Issue Networks and the Executive Establishment', in *The New American Political System*, ed. A. King, Washington.
- Hughes, O. E. 1994, *Public Management & Administration: an Introduction*, St. Martin's Press, New York.
- Homeshaw, J. 1995, Policy Community, Policy Networks and Science Policy in Australia, *Australian Journal of Public Administration*, Vol. 54, No. 4, pp520-532.
- Jordan, A. G. 1990, 'Policy Community Realism versus 'New' Institutional Ambiguity', *Political Studies*, XXXVIII, pp. 470-484.
- Kingdon, J. W. 1984, *Agendas, Alternatives, and Public Policies*, The University of Michigan.
- Laughlin, R., 1995, 'Empirical research in accounting: alternative approaches and a case for "middle-range" thinking', *Accounting, Auditing and Accountability Journal*, Vol. 8, No. 1, pp. 63-81.
- Micallef, F., Sutcliffe, P. & Doughty, P. 1994, *Financial Reporting by Governments*, Discussion Paper No. 21, Australian Accounting Research Foundation, Melbourne.
- Micallef, F. 1997, 'Financial Reporting by Governments: The Big Picture', *Charter*, Vol. 68, No. 1, pp. 50-51.
- Nicholls, D., 1992, *State Finance Victoria- Independent Review of Victoria's Public Sector Finances*, Melbourne.
- NSW Com. 1988. New South Wales Commission of Audit, *Focus on Reform, Report on the State's Finances*, Government Printer, Sydney.
- Parker, L. D. 1993, 'Rationale for Auditing: There is a Difference in the Public Sector', in *Australian Public Sector: Pathways to Change in the 1990s* ed. James Guthrie, IIR Conferences, Sydney, pp. 152-156.

Patton, M. Q. 1987, *How to use Qualitative Methods in Evaluation*, Sage Publications, Inc. United States, California.

Pross, A. P. 1986, *Group Politics and Public Policy*, Oxford University Press, Canada.

PSASB Progress Report 1991, AARF Melbourne

PSASB Progress Report 1993, AARF Melbourne.

Qld Com. 1996, Queensland Commission of Audit, *Operating Budget Outlook*, Volume 1, Brisbane.

Rhodes, R. 1990, 'Policy Networks: A British perspective', *Journal of Theoretical Politics*, Vol. 2, No. 3.

Richardson, J.J. & Jordan, A.G. 1979, *Governing Under Pressure: The Policy Process in a Post-Parliamentary Democracy*, Martin Robertson, Oxford.

Ryan, C. 1998, 'The Introduction of Accrual Reporting Policy for government Departments: An Agenda Setting Explanation', *Accounting, Auditing and Accountability*, Vol. 11, No. 5, pp518-539.

Shand, D.A. 1992, *Harmonising Accounting and Public Finance Standards*, Royal Institute Public Administration, National Council Conference, November.

Shand, D. 1990, Australia Moves to Accrual Accounting: Problems and Prospects, in *Budgetary Management and Control*, eds John Forster & John Wanna, Macmillan, pp. 142-150.

STLC minutes 1993. Standing Treasury Liaison Committee, Minutes of Meeting, November, 1993.

STLC minutes 1994. Standing Treasury Liaison Committee, Minutes of Meeting, December 1994.

Sutcliffe. P., Micallef, F., & Parker, L. D. 1991, *Financial Reporting by Government Departments*, Discussion paper no. 16, Australian Accounting Research Foundation, Melbourne.

Vic. Com. 1993, Victorian Commission of Audit, *Report of the Victorian Commission of Audit*, Vols. 1 & 2, Melbourne.

WA Com. 1993. Western Australian Independent Commission to Review Public Sector Finances, *Agenda for Reform*, Vols. 1 & 2, Perth.

Walker, B. 1988, 'NSW Sorts out its Debt', *Australian Business*, May 4, 1988.

Walker, R. G. 1989, *Should There be common Standards for the Public and Private Sectors*, Research Lecture in Government Accounting, ASCPA & ANU, ASCPA, Melbourne, pp. 1-20.

Walker, R. G., Robinson, P. 1993, A Critical Assessment of the Literature on Political Activity and Accounting Regulation, *Research in Accounting Regulation*, Vol. 7, pp.3-40.

Walker, S. 1995, 'The Genesis of Professional Organization in Scotland: A Contextual Analysis', *Accounting, Organisations and Society*, Vol. 20, No. 4, pp. 285-310.

Walker, S. P., & Shackleton, K. 1995, 'corporatism and Structural Change in the British Accountancy Profession' *Accounting, Organisations and Society*, Vol. 20, No. 6, pp. 467-503.

Weller, P. 1989, *Malcolm Fraser PM: A Study in Prime Ministerial Power in Australia*, Penguin Books, Australia.

Wanna, J., O'Faircheallaigh, C. & Weller, P. 1992, *Public Sector Management in Australia*, Macmillan, Melbourne.

Wilks, S. & Wright, M. 1987, 'Conclusion: Comparing Government-Industry Relations: States, Sectors, and Networks', in *Comparative Government-Industry Relations*, eds authors, Oxford: Oxford University Press.

Willmott, H., 1986, 'Organising the Profession: A Theoretical and Historical Examination of the Development of the Major Accountancy Bodies in the UK', *Accounting Organisations and Society*, pp. 555-580.

Willmott, H. C., Puxty, A. G., Robson, K., Cooper, D. J., Lowe, e. A., 1992, 'Regulation of Accountancy and Accountants: A Comparative Analysis of Accounting for Research and Development in Four Advanced Capitalist Countries', *Accounting, Auditing and Accountability Journal*, Vol. 5, No. 2, pp. 32-56.

W P on Acc. Accg. 1992. Heads of Treasuries, Working Party on Accrual Accounting, *Accounting and Financial Reporting in the Public Sector*, unpublished report, Commonwealth Department of Finance, Canberra.

W P on Merger 1992. Commonwealth Attorney General Working Party on the Proposed Merger of the Australian Accounting Standards Board and the Public Sector Accounting Standards Board, *Issues Paper*, unpublished report, Attorneys-General Department, Canberra.

W P on Merger 1993. Commonwealth Attorney General Working Party on the Proposed Merger of the Australian Accounting Standards Board and the Public Sector Accounting Standards Board, *Draft Report of the Working Party*, unpublished Report, Attorneys-General Department, Canberra.

Wright, M. 1988, 'Policy Community, Policy Network and Comparative Industrial Policies', *Political Studies*, XXXVI, pp. 593-612.

Table II Interviews with key policy actors

	Cwlth	NSW	Vic.	Qld	NT	SA	Tas.	WA	Total
Auditors-General	2	1	2	1	1	1	1	1	10
Accounting policy officers	1	1	1	1	1	1	1	1	8
Chairs PSASB									4
Representatives from AARF									3
Total	3	2	3	2	2	2	2	2	25

Table II Effect of PSASB funding

	Accounting Policy Officers	
	%	No.
Claim that APO brought into standard setting process	87.5	(7)
No claim that APO brought into standard setting process	12.5	(1)
Total	100.0	(8)

Source: Interview question

Table III Consultation between the PSASB and Treasuries or Departments of Finance on work program

	Acc. Pol.		Audit		Chair		AARF		Total	
	Off.		Reps.		PSASB		Reps.			
	%	No.	%	No.	%	No.	%	No.	%	No.
Strongly										
Agree	25	(2)	0	(0)	25	(1)	100	(3)	24	(6)
Agree	75	(6)	40	(4)	75	(3)	0	(0)	52	(13)
Undec'd	0	(0)	60	(6)	0	(0)	0	(0)	24	(6)
Disagree	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)
Strongly										
Disagree	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)
Total	100	(8)	100	(10)	100	(4)	100	(3)	100	(25)

Source: Interview questionnaire.

Table IV Members common to multiple working parties

Personnel	W P on Acc. Accg.	GTE Sub Comm	STLC	Merger W P ^a	Meetings with PSASB
<u>COMMONWEALTH</u>					
George Carter	*	*	*	*	*
Tony Lawson (GTE Team)		*			
Ian McPhee	*				*
Alan Pearson	*				
Russell Chantler (ANAO)			*(obs)		
<u>QUEENSLAND</u>					
Graham Carpenter		*		* ^c	*
Bob Shead	*		*	*	*
Tim Bale		*			
Peter Dann (GOE Unit)		*			
<u>NEW SOUTH WALES</u>					
Thuy Mellor	*	*			*
John Chan Sew		*	*		*
Bob Scullion	*			*	
<u>VICTORIA</u>					
Mike Hogan		*			
Richard May	*				*
Phyllis Kaylis/Ron Paice			*		
Steve Black				*	
<u>TASMANIA</u>					
Peter Williams	*	*	*	*	*
Heather Wilson	*				
<u>SOUTH AUSTRALIA</u>					
Frank McGuinness	*	*	*	b	
<u>WESTERN AUSTRALIA</u>					
Neville Smith	*	*	*	*	
Doug Tyler	*				
<u>NORTHERN TERRITORY</u>					
Mick Martin		*	*	*	*
Irene Barry	*				
<u>AUST. CAPITAL TERRITORY</u>					
Rex Hollier	*	*	*	b	*
Ian Downes	*			b	*
<u>AARF</u>					
Warren McGregor	*	*	*(obs)		*
Jim Paul		*			*
Paul Sutcliffe	*				*
<u>AUST. BUREAU STATISTICS</u>					
Don Efford	*		*(obs)		

Sources: W P on Acc. Accg. (1992) Attachment E; W P on Merger (1993:34); Steering Com. (1993) Appendix 1; STLC (1992).

- a Not full Working Party
b Own choice not to be represented
c PSASB representative
obs Observer